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GREETING CARD AND RELATED OPERATIONS

Provisional report for the period 1 May 1992-30 April 1993

SUMMARY

The present document presents the provisional results of the UNICEF Greeting Card and related operations (GCO) for the period ending 30 April 1993.

Figures I and II compare the 1992 projected sales volume and gross proceeds by sales region with the 1991 actual and with the 1992 budget projections.

Table 1 compares the 1992 provisional financial results with the 1992 budget and the 1991 actual results.

Sales of greeting cards for 1992 are projected at 150 million cards, with gross proceeds forecast at $148.0 million ($14.7 million higher than 1991).

The net operating income for GCO products is projected at $68.9 million (46.6 per cent of gross proceeds) and $31.1 million from private sector fund-raising. The consolidated net operating income is forecast at $98.4 million, after inclusion of a loss of $0.2 million from special fund-raising events and expenditures of $1.4 million for the Central and Eastern European National Committees Development Programme.

After allowing for an exchange rate loss of $10.8 million (estimated loss on the revaluation of GCO non-United States dollar assets), the total GCO contribution to UNICEF general resources (net income - consolidated) is estimated at $87.1 million, an increase of $4.9 million when compared to 1991 actual and an increase of $4.4 million when compared to 1992 budget.

The rate of return for GCO products (net operating income) is estimated to remain at 46.6 per cent when compared to 1991 actual, a decrease of 0.6 per cent when compared to the budget goal of 47.2 per cent.

CONTENTS

		Paragraphs	Page
INTRODUCTION		1 - 4	3
I.	GREETING CARD AND RELATED PRODUCTS	5 - 13	3
II.	PRIVATE SECTOR FUND-RAISING	14 - 17	7
III.	SPECIAL FUND-RAISING EVENTS	18 - 19	9
IV.	CONSOLIDATED PROVISIONAL RESULTS	20 - 22	10

List of tables

1. Income statement for 1991, 1992 budget and 1992 provisional results 4
2. Private sector fund-raising: income statement for 1991, 1992 budget and 1992 provisional results 8
3. Special fund-raising events: income statement for 1991, 1992 budget and 1992 provisional results 9

List of figures

I. Sales by region, 1992: provisional results compared to 1991 actual 5
II. Sales by region, 1992: provisional results compared to 1992 budget 6

Annex. Fund-raising Development Programme: progress report - 1 May 1991-31 December 1992 11

INTRODUCTION

1. The mandate of Greeting Card and related operations (GCO) comprises two income-generating areas which aim to maximize income for UNICEF from the public at large. These are: (a) greeting card and other products; and (b) private sector fund-raising; including special fund-raising events.

2. The GCO provisional report for the period 1 May 1992-30 April 1993 is based on income estimates received as at 31 January 1993 from National Committees for UNICEF and UNICEF field offices in each of the six market regions. Expenditures are estimated for the 12-month period ending 30 April 1993.

3. The results from each income-generating area of activity are presented separately in the present report and are consolidated in table 1, which shows GCO 1992 provisional results compared with the 1991 actual and 1992 approved work plan and budget.

4. The projected net proceeds and expenditures for private sector fund-raising and special events are shown in tables 2 and 3, respectively.

I. GREETING CARD AND RELATED PRODUCTS

5. The continued global recession, and the difficult economic and political circumstances in Central and Eastern European countries, have negatively influenced GCO results in terms of sales volume. Gross proceeds, however, are projected at the budgeted level of $148.0 million, $14.7 million (11 per cent) higher than actual 1991.

A. Sales volume

6. Sales reports for the six market regions show an estimated decrease in card volume of 1.7 million compared with the 1991 actual results. Sales by region for 1992 compared with the 1991 actual sales are projected to increase in four out of the six regions (E/ICEF/1993/AB/L.5) and are shown below in figure I.

Table 1. Income statement for 1991, 1992 budget and 1992 provisional results

	1991 actual		1992 budget		1992 provisional		Variance	
							1992 provisional vs. 1991 actual	1992 provisional vs. 1992 budget
Number of cards sold (millions)	152		162		150		(2)	(12)
	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Millions of US dollars
Gross proceeds – GCO products	133.3	100.0	148.0	100.0	148.0	100.0	14.7	0.0
Less: Commissions and direct expenses at field offices	32.9	24.8	36.3	24.3	36.4	24.6	3.5	0.1
Net sales	100.4	75.2	111.7	75.7	111.6	75.4	11.2	(0.1)
Less: Total cost of goods delivered	26.3	20.4	27.8	19.5	29.1	19.7	2.8	1.3
Less: Operating costs	18.3	12.3	19.5	13.8	19.6	13.2	1.3	0.1
Add: Other income – net	5.2	4.1	6.4	4.8	6.0	4.1	0.8	(0.4)
Net operating income – GCO products	61.0	46.6	70.8	47.2	68.9	46.6	7.9	(1.9)
Private sector fund-raising (table 2)	31.0		9.8		31.1		0.1	21.3
Special fund-raising events (table 3)	0.9		3.5		(0.2)		(1.1)	(3.7)
Others:								
Central and Eastern European National Committees Development Programme	–		(1.4)		(1.4)		(1.4)	0.0
Net operating income – consolidated	92.9		82.7		98.4		5.5	15.7
Less:								
Exchange rate adjustment	8.1		–		10.8		2.7	10.8
Transfer to special fund-raising and new initiatives operating account	0.8		–		–		(0.8)	–
Write-off of prior years' accounts receivable	0.4		–		–		(0.4)	–
Prior years' adjustments	1.4		–		0.5		(0.9)	0.5
Net income – consolidated	82.2		82.7		87.1		4.9	4.4

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Figure I. Sales by region, 1992

Provisional results compared to 1991 actual

(In millions of cards and millions of United States dollars)

Region	1991 actual		1992 provisional		Variance Increase/ (decrease)	
	Cards sold	Amount	Cards sold	Amount	Cards sold	Amount
I. North America	15.1	13.3	15.9	13.4	0.8	0.1
II. Latin America	9.9	7.0	10.4	7.0	0.5	0.0
III. Asia	8.8	6.3	9.5	6.4	0.7	0.1
IV. Pacific, India and Pakistan	9.3	3.6	7.7	3.0	(1.6)	(0.6)
V. Europe	104.0	97.8	101.6	113.6	(2.4)	15.8
VI. Africa and the Middle East	4.4	5.3	4.7	4.6	0.3	(0.7)
Total all regions	151.5	133.3	149.8	148.0	(1.7)	14.7

7. Figure II below compares the provisional sales results of 1992 in the six market regions with the 1992 budget (see E/ICEF/1992/AB/L.6), indicating a negative variance in sales volume of 12.3 million cards.

Figure II. Sales by region, 1992

Provisional results compared to 1992 budget

(In millions of cards and millions of United States dollars)

Region	1992 budget		1992 provisional		Variance Increase/ (decrease)	
	Cards sold	Amount	Cards sold	Amount	Cards sold	Amount
I. North America	19.0	15.3	15.9	13.4	(3.1)	(1.9)
II. Latin America	11.3	7.8	10.4	7.0	(0.9)	(0.8)
III. Asia	7.5	8.3	9.5	6.4	2.0	(1.9)
IV. Pacific, India and Pakistan	10.6	3.2	7.7	3.0	(2.9)	(0.2)
V. Europe	108.4	110.4	101.6	113.6	(6.8)	3.2
VI. Africa and the Middle East	5.3	3.0	4.7	4.6	(0.6)	1.6
Total all regions	162.1	148.0	149.8	148.0	(12.3)	0.0

B. Gross proceeds

8. Gross proceeds for 1992 are estimated at $148.0 million, $14.7 million higher than 1991 actual (figure I) but the same as the 1992 budget (figure II). This was made possible in spite of the lower volume with higher prices, product mix and a favourable exchange rate.

C. Commissions and direct expenses at field offices

9. Commissions are estimated at $36.4 million, which include funds retained by National Committees for UNICEF and other sales partners, expenses incurred at field offices and commissions paid to consignees. As a percentage of gross proceeds, commissions and direct expenses at field offices are estimated at 24.6 per cent, 0.2 per cent less than the actual 1991 rate, but 0.3 per cent more than the 1992 budget rate.

D. Expenditure

Cost of goods delivered, freight, duties/taxes and promotional materials

10. This expenditure is estimated to be $29.1 million, $2.8 million higher than 1991 actual and $1.3 million more than the 1992 budget. This is due to the increased cost of promotion materials ($0.8 million) and an unfavourable exchange rate ($0.5 million). As a percentage of gross proceeds, the cost of goods delivered, freight, duties/taxes and promotional materials is estimated at 19.7 per cent, 0.7 per cent lower than 1991 actual, but 0.2 per cent higher than the budget.

Operating costs

11. Operating costs for 1992 are forecast at $19.6 million, an increase of $0.1 million compared with the 1992 budget and an increase of $1.3 million compared with 1991 actual. As a percentage of gross proceeds, 1992 operating costs are 13.2 per cent, compared with 12.3 per cent in 1991, an increase of 0.9 per cent.

E. Other income

12. Other income for 1992, generated mainly from royalties on licensed products and revenues from the sale of National Committee products, is estimated at $6.0 million, a decrease of $0.4 million when compared to the 1992 budget and $0.8 million higher than 1991 actual.

F. Net operating income - GCO products

13. The net operating income for GCO products for 1992 is projected at $68.9 million, an increase of $7.9 million compared with 1991, but $1.9 million less than the 1992 budget. As a percentage of gross proceeds the estimated net operating income is 46.6 per cent (same as 1991 actual) and 0.6 per cent lower than the 1992 budget.

II. PRIVATE SECTOR FUND-RAISING

A. Income

14. As requested by the Executive Board, income from private sector fund-raising and related expenditures are shown separately from GCO product-related income (table 2).

15. The net proceeds for 1992 are estimated at $38.3 million, an increase of $4.3 million when compared to actual 1991 and $23.3 million higher than the 1992 budget. This high increase is due to the fact that when the 1992 budget was prepared, GCO had not yet received financial results for private sector fund-raising for the 1991 fiscal year. Consequently, a very conservative income estimate was provided for the 1992 budget.

B. Expenditures

16. Operating costs are estimated at $1.4 million and research and development costs at $0.8 million (both are the same as budgeted). In view of the success of the Fund-raising Development Programme (FDP) (see the annex), the Greeting Card Committee (GCC) approved FDP expenditures to be increased from the low projection of $3.0 million to $5.0 million (medium projection). This increased investment is expected to result in incremental income for 1992 and to provide a sound basis for increased income in future years (see para. 15 above). A status report on FDP is included in the annex.

C. Net operating income

17. The estimated net operating income of $31.1 million is $0.1 million higher than the 1991 actual and $23.3 million more than the 1992 budget. These increases are due to the increased participation of National Committees and UNICEF field offices in GCO-supported private sector fund-raising activities. Implementation of the three-year FDP, starting in 1991, has resulted in an expansion of the National Committee and field office donor base, generating increased revenues for 1992/1993 and providing a sound base for sustained increases over the years to come. Excluding the impact of the higher FDP investment in 1992 ($3.9 million), the net operating income for private sector fund-raising would be $35.0 million.

Table 2. Private sector fund-raising

Income statement for 1991, 1992 budget and 1992 provisional results

(In thousands of United States dollars)

	1991 actual	1992 budget	1992 provisional	Variance: 1992 provisional vs. 1991 actual	Variance: 1992 provisional vs. 1992 budget
Net proceeds	33,988	15,000	38,300	4,312	23,300
Less:					
Operating costs	1,048	1,426	1,400	352	(26)
Research and development costs	712	800	800	88	0
Fund-raising development programme expenses	1,149	5,000	5,000	3,851	0
Total expenses	2,909	7,226	7,200	4,291	(26)
Net operating income	31,079	7,774	31,100	21	23,326

III. SPECIAL FUND-RAISING EVENTS

A. Income

18. Income from special fund-raising events is shown separately from GCO product-related and other private sector fund-raising income, as requested by the Executive Board (see E/ICEF/1990/AB/L.6, para. 8). The net proceeds of $2.8 million are expected to result in a net operating loss of $0.2 million, a decrease of $1.1 million compared with the 1991 actual and $3.7 million less than the 1992 budget. This income was generated through National Committees primarily as a direct result of the Danny Kaye International Children's Awards programmes held in several countries. The figure does not include income from private sector fund-raising activities organized around the event such as direct mail campaigns and card and other product promotions synchronized to follow up the increased visibility provided by the Danny Kaye programme.

B. Expenditures

19. Operating costs for 1992 are estimated at $0.7 million, a decrease of $0.1 million and $0.3 million compared to the 1991 actual and the 1992 budget, respectively. Research and development costs are estimated at $0.1 million, a decrease of $0.3 million compared to the 1992 budget and a decrease of $0.1 million compared to 1991 actual. The cost of production and events organization ($2.2 million) represents expenses for the Danny Kaye International Children's Awards programme.

Table 3. Special fund-raising events
Income statement for 1991, 1992 budget and 1992 provisional results

(In thousands of United States dollars)

	1991 actual	1992 budget	1992 provisional	Variance: 1992 provisional vs. 1991 actual	Variance: 1992 provisional vs. 1992 budget
Net proceeds	3,967	5,000	2,800	(1,167)	(2,200)
Less:					
Operating costs	802	1,072	750	(52)	(322)
Research and development costs	168	400	50	(118)	(350)
Production and events organization costs	2,122	-	2,200	78	2,200
Total expenses	3,092	1,472	3,000	(92)	1,528
Net operating income	875	3,528	(200)	(1,075)	(3,728)

IV. CONSOLIDATED PROVISIONAL RESULTS

A. Net operating income - consolidated

20. The GCO consolidated net operating income for 1992 is estimated at $98.4 million (see table 1), $5.5 million more than 1991 actual results and $15.7 million higher than the 1991 budget.

B. Exchange rate adjustment

21. An exchange rate adjustment of $10.8 million is made to cover anticipated losses caused by the revaluation of GCO non-United States dollar-denominated assets. It also includes actual exchange rate losses on prior years' accounts receivable incurred before 31 January 1993.

C. Net profit - consolidated

22. After deducting $10.8 million for the impact of exchange rate variations and $0.5 million for prior years' adjustments from the net operating income ($98.4 million), the consolidated GCO net income is estimated at $87.1 million, an increase of $4.9 million compared with the 1991 actual and $4.4 million more than the 1992 budget.

Annex

FUND-RAISING DEVELOPMENT PROGRAMME: PROGRESS REPORT - 1 MAY 1991-31 DECEMBER 1992

1. The following is a status report on the results of the FDP. A final report on the programme will be presented in 1994.

2. FDP is just past its mid-point, having run 20 months of its projected three years. A total of 28 programmes in 15 countries have been approved by GCC. Owing to insufficient responses during their test phases, four programmes were cancelled by applicants before the allocation of funds. To date, 10 National Committees and three field offices have benefited from the programme. A total of $6.0 million has been committed (after deduction of the amounts approved for cancelled programmes).

3. FDP has proven to be a good investment in both the present and the future for National Committees for UNICEF and UNICEF field offices. To date, $3.4 million has been disbursed, resulting in proceeds of $8.4 million. More importantly, a total of nearly 125,000 new donors, including 27,000 monthly pledge donors, have been acquired. Their combined value in terms of future net income is calculated to be more than $20 million over five years and $35 million over 10 years.

4. Figures in the present report are based on information received by the Fund-raising Support Section of GCO by National Committees and UNICEF field offices.

5. "Funds raised" are defined as income generated by the campaign that is directly proportional to the investment made. If the FDP investment was 50 per cent of the total cost of the campaign, then only 50 per cent of the income is shown.

6. "New donors" are donors acquired from external mailing lists who have become first-time donors to UNICEF.

Fund-raising Development Programme
Progress report:1 May 1991 - 31 December 1992
(In thousands of United States dollars)

Country	Campaign Code	Programme	Date Approved	Amount committed	Amount disbursed	Status	Funds raised directly attributable to FDP	New donors directly attributable to FDP funding	Comments
Australia	872-001	Integrated direct mail programme	15/11/91	800	130	Ongoing	142	4,350	Suspended for one year; reactivated in October 1992. Preliminary results are now coming in.
Belgium	822-001	Direct mail premium donor acquisition campaign	20/8/92	220	123	Ongoing	183	10,400	Launched in November 1992. Awaiting final results.
Brazil	851-001	ECO-92 direct mail donor acquisition campaign	20/8/92	135	94	Completed	264	10,900	Campaign very successful. Generated substantial net income and new donors.
	851-002	Direct mail premium donor acquisition campaign.	20/8/92	175		Ongoing			Launched in December 1992. Generated substantial number of new donors. Final results not yet available.
France	825-001	Multimedia television and print campaign	15/11/91	60	60	Completed	126	2,472	FDP funds used as seed money to subsidize a major campaign which acquired over 100,000 new donors for the French Committee.
Germany	826-001	Direct mail programme to acquire monthly pledge donors	15/11/91	298	298	Completed	316	5,012	Campaign generated 7,160 new pledge donors from the in-house list. FDP funds covered 70 per cent of the cost of the campaign.
	826-2	Annual report direct mail campaign	15/11/91	21	21	Completed	125		FDP funds were used as seed money to subsidize the annual report campaign (20 per cent).
	826-3	Direct mail premium donor acquisition campaign	26/10/92	968	968	Completed	1,935	42,900	FDP funds were used to subsidize a $3 million acquisition campaign which added substantially to the Committee's in-house mailing list.

Country	Campaign Code	Programme	Date Approved	Amount committed	Amount disbursed	Status	Funds raised directly attributable to FDP	New donors directly attributable to FDP funding	Comments
Hong Kong	866-001	Direct mail premium donor acquisition campaign	21/10/92	240	37	Completed	862	15,374	A test and roll-out in autumn 1992 resulted in substantial income, new donors and valuable information about mailing lists available.
Japan	864-001	Direct mail premium donor acquisition campaign	26/10/92	150		Ongoing			Campaign launched in December 1992. Final results not yet available.
Republic of Korea	852-001	Children's Day direct mail donor acquisition campaign	30/3/92	95	95	Completed	152	4,700	Campaign generated new donors and provided valuable information about mailing lists available in the Republic of Korea.
	852-002	Thanksgiving Day direct mail donor acquisition campaign	20/8/92	140	133	Completed	169	3,789	Campaign generated new donors and provided valuable information about address lists available in the Republic of Korea.
	852-003	Direct mail premium donor acquisition campaign	26/10/92	335		Ongoing			Campaign launched in November 1992. Final results not yet available.
Mexico	853-001	Direct mail premium donor acquisition campaign	26/10/92	100		Active			Campaign launched end-December 1992.
Netherlands	831-001	Seven television programmes to recruit sponsors for "Chance for a Child"	15/11/91	1,000	1000	Completed	3,600	22,500	FDP funded 50 per cent of this campaign which acquired a total of 45,000 new monthly pledge donors that will generate income for years to come.
New Zealand	873-001	Letter Box Drop roll-out campaign based on 1990 national envelope appeal	15/11/91	110	56	Ongoing	24	2,430	Campaign acquired new donors, but did not generate surplus income.

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Country	Campaign Code	Programme	Date Approved	Amount committed	Amount disbursed	Status	Funds raised directly attributable to FDP	New donors directly attributable to FDP funding	Comments
New Zealand (continued)	873-002	Direct mail premium donor acquisition campaign	25/8/92	65		Ongoing			Campaign launched in December 1992. Final results not yet available.
Switzerland	836-001	Increase participation in annual review loyalty-building and upgrading programme	15/11/91	60	52	Completed	191		FDP funds covered 20 per cent of the cost of the campaign.
United States	855-001	Multi-media campaign with video and telemarketing	Nov-91	100	95	Completed	305		Use of video cassette and telephone follow-up increased response rate and average donation level by more than 40 per cent.
	855-002	"Run for UNICEF" school children's collection campaign	6/3/92	90		Ongoing			
	855-003	National UNICEF Day collection campaign (upgrading)	10/7/92	100	81	Completed			Campaign showed a marked improvement over previous years. Final analysis not yet available.
	855-004	Legacies and bequests	26/10/92	68		New			
	855-005	Somalia emergency direct mail donor acquisition campaign	26/10/92	404		New			
	855-006	Elimination of iodine deficiency disorders campaign with Kiwanis International	16/12/92	248	136	New			
Total				5,982	3,380		8,395	124,827	